

Working After Retirement

Retirees, and those planning retirement, should be aware of the railroad retirement laws governing benefit payments to annuitants who work after retirement.

The following questions and answers describe these railroad retirement work restrictions and earnings limitations on post-retirement employment, and how these rules can affect retirees engaging in self-employment.

1. What are the basic railroad retirement work restrictions and earnings limitations that apply to post-retirement work?

Neither a regular railroad retirement annuity nor a supplemental annuity is payable for any month in which a retired employee works for a railroad employer, including labor organizations. This is true even if only one day's service is performed during the month and includes local lodge compensation totaling \$25 or more for any calendar month.

A spouse annuity is not payable for any month in which the employee's annuity is not payable, or for any month in which the spouse works for a railroad employer or railroad union. A survivor annuity is not payable for any month the survivor works for a railroad or railroad union.

Railroad retirement annuities generally consist of tier I and tier II benefits and may include certain vested dual benefit payments and/or a supplemental benefit. Like social security benefits, railroad retirement tier I benefits and vested dual benefits paid to employees and spouses, and tier I, tier II and vested dual benefits paid to survivors, are subject to earnings deductions if post-retirement earnings exceed certain exempt amounts. In 1997, the amounts are \$8,640 for annuitants under age 65, and \$13,500 for annuitants age 65-69. These amounts will increase to \$9,120 and \$14,500, respectively, in 1998. For those under age 65, the deduction is \$1 for every \$2 of earnings over the exempt amount, and for those 65-69, the deduction is \$1 for every \$3 over the exempt amount.

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Earnings consist of all wages received for services rendered, plus any net earnings from self-employment. Interest, dividends, certain rental income or income from stocks, bonds, or other investments are not considered earnings for this purpose.

These earnings limitations do not apply to any annuitants age 70 or older, starting with the month in which they are 70.

Additional deductions are assessed for retired employees and spouses who work for their last pre-retirement nonrailroad employer and special restrictions apply to disability annuitants.

2. What are the additional deductions applied to the annuities of retired employees and spouses working for their last pre-retirement nonrailroad employer?

Such employment will reduce tier II benefits and supplemental annuity payments, which are not otherwise subject to earnings deductions, by \$1 for each \$2 of compensation received subject to a maximum reduction of 50 percent. The deductions in the tier II benefits and supplemental annuities of individuals who work for pre-retirement nonrailroad employers apply even if earnings do not exceed the tier I exempt earnings limits. Also, while tier I and vested dual benefit earnings deductions stop when an annuitant attains age 70, these tier II and supplemental annuity deductions continue to apply after the attainment of age 70.

3. Can a retired employee's earnings also reduce a spouse's benefit?

A spouse benefit is subject to reductions not only for the spouse's earnings, but also for the earnings of the employee, regardless of whether the earnings are from service for the last pre-retirement nonrailroad employer or other post-retirement employment.

4. What are the special restrictions applied to disability annuitants?

The amount disabled railroad retirement employee annuitants can earn without reducing their benefits is \$400 per month, exclusive of disability-related work expenses. While a disabled employee's annuity is not payable for any month in which he or she earns more than \$400 in any employment or self-employment, withheld payments will be restored if earnings for the year are less than \$5,000. Otherwise, the annuity is subject to a deduction of one month's benefit for each multiple of \$400 earned over \$4,800 (the last \$200 or more of earnings over \$4,800 counts as \$400). However, if a disabled annuitant works after retirement, this may also raise a question about the possibility of that individual's recovery from disability, regardless of the amount of earnings, and such work must be reported.

These disability work restrictions apply until the disabled employee annuitant is full retirement age, currently 65, when the annuitant becomes subject to the work and earnings restrictions applicable to employee annuities based on age and service. This transition is effective no earlier than full retirement age, currently 65, even if the annuitant had 30 years of service.

5. After retirement, I'm thinking of becoming a self-employed contractor or consultant, and might be providing services for a railroad or my last pre-retirement nonrailroad employer. How would this affect my railroad retirement annuity?

It depends on whether or not the Railroad Retirement Board considers you to be truly engaging in self-employed contracting or consulting, or whether the Board considers you to be functioning as an employee, and if so, who the Board considers to be the actual employer for railroad retirement purposes.

If a retiree is considered to be functioning as a self-employed contractor or consultant, his or her annuity is subject to tier I and vested dual benefit earnings deductions for net self-employment earnings.

However, if a retiree is considered to be functioning as an employee of a railroad or railroad labor organization, rather than as a self-employed contractor or consultant, the retiree's annuity would be subject to suspension. If the retiree is considered the employee of a nonrailroad employer, the retiree's annuity would be subject to earnings deductions for nonrailroad wages, and to additional deductions if he or she is considered to be working for a last nonrailroad pre-retirement employer.

Board determinations on contracting or consulting services take into account multiple factors which could be evaluated differently depending on the circumstances of the individual situation. Since no single rule covers every case, an annuitant requiring a determination as to whether contractor or consultant service is valid self-employment should contact the Board for a determination well in advance of making a commitment so as to be sure of the effect on benefit payments.

For more information on railroad retirement work restrictions and earnings limitations or other railroad retirement matters, contact the nearest Railroad Retirement Board field office. Most Board offices are open to the public from 9:00 a.m. to 3:30 p.m., Monday through Friday. The address of the nearest field office can be located by visiting the Board's Web Site at <http://www.rrb.gov>, looking in the telephone directory under "United States Government," or checking with a union representative, rail employer, local post office or Federal Information Center.

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